

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 SAJ-01 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 SWF-02 AID-20 CEA-02 COME-00 FRB-03

CIEP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

DRC-01 /161 W

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R 061605Z AUG 74

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 9407

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY DUBLIN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY LISBON

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

USMISSION NATO

C O N F I D E N T I A L COPENHAGEN 2115

E.O. 11652: GDS

TAGS: PFOR, EGEN, DA, GW, EEC

SUBJECT: GERMAN ACCOUNT OF CHANCELLOR SCHMIDT'S VISIT
TO DENMARK

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REF: COPENHAGEN 2105

SUMMARY: ECONOMIC PROBLEMS AND EUROPEAN POLICIES WERE THE PRINCIPAL SUBJECTS OF DISCUSSION BETWEEN FRG CHANCELLOR SCHMIDT AND DANISH PRIME MINISTER HARTLING IN THEIR THREE-HOUR TALK HERE AUGUST 3. HARTLING REMINDED SCHMIDT OF THE IMBALANCE OF THEIR TRADE IN RECENT MONTHS AND RECEIVED A PROMISE THAT THE FRG CABINET WOULD EXAMINE THE SITUATION ALONG WITH A CAVEAT THAT THE CHANCELLOR DID NOT FAVOR INCREASING INTERNAL DEMAND IN THE FRG. BOTH LEADERS SAID THEY WOULD SUPPORT AN EC SUMMIT MEETING IF THERE WAS A CHANCE FOR CONCRETE RESULTS. END SUMMARY.

1. GERMAN DCM MULLER-DETHARD TODAY GAVE DCM FILL-IN ON CHANCELLOR SCHMIDT'S TALKS WITH PRIME MINISTER HARTLING ON THE BASIS OF HIS AMBASSADOR'S CABLE TO BONN. HE EMPHASIZED, AS HAVE OTHER DANISH AND GERMAN OFFICIALS, THE PRIVATE NATURE OF THE VISIT. THIS ACCOUNTED FOR THE FACT THAT THERE WAS NO COMMUNIQUE; ALL THAT WAS YET KNOWN TO THE GERMAN AMBASSADOR AND HIS DCM WAS BASED ON THE REMARKS WHICH SCHMIDT AND HARTLING MADE TO THE PRESS SATURDAY EVENING. SCHMIDT HAD SEEN NO DANISH SOCIAL DEMOCRATS DURING HIS VISIT HERE.

2. BEGINNING THEIR "RESUME" TO THE PRESS, HARTLING DESCRIBED HIS TALKS WITH SCHMIDT AS "VERY VALUABLE," SAYING THAT THEY HAD CONCENTRATED ON ECONOMIC PROBLEMS AND EUROPEAN POLICY. HE ADDED THAT THE DANISH GOVERNMENT WAS DETERMINED TO OVERCOME ITS PRESENT ECONOMIC DIFFICULTIES. HE EMPHASIZED THAT IT WAS IMPORTANT FOR DENMARK TO HAVE BRITAIN REMAIN IN THE EC, AND HE NOTED THE ADVANTAGES THE "MINI-SNAKE" HAS FOR DENMARK.

3. IN HIS COMMENTS SCHMIDT SAID THAT THE RISE IN ENERGY AND RAW MATERIALS PRICES HAD AS A CONSEQUENCE THAT THE INCREASE OF REAL WAGES, AT LEAST IN GERMANY, WOULD BE THE LOWEST IN 25 YEARS. TAX REFORMS IN BOTH GERMANY AND DENMARK MEAN IN PRACTICAL TERMS THAT THOSE TWO GOVTS HAVE TO CUT DOWN ON THEIR PUBLIC EXPENDITURES. SCHMIDT SAID HE SAW NO BILATERAL PROBLEMS BETWEEN THE TWO
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COUNTRIES. AT THIS POINT HARTLING INTERVENED TO POINT OUT THAT IN THE LAST FIVE MONTHS DENMARK'S IMPORTS FROM THE FRG HAVE RISEN 40 PERCENT BUT HER EXPORTS TO THE FRG HAVE ONLY RISEN 20 PERCENT. HE SUGGESTED THAT THE FRG SHOULD NOT HANDICAP IMPORTS TOO SEVERELY IN THE FRAMEWORK OF ITS ANTI-INFLATION PROGRAM. RESPONDING, SCHMIDT PROMISED THAT HE WOULD SUBMIT THIS PROBLEM TO THE CABINET, BUT ADDED THAT HE HIMSELF FELT THAT TO INCREASE DEMAND IN

GERMANY, WHICH IS THE WAY TO INCREASE IMPORTS, WOULD ADD TO THE GERMAN INFLATION RATE.

4. ASKED ABOUT A POSSIBLE EC SUMMIT MEETING, SCHMIDT AND HARTLING AGREED THAT THEY WOULD FAVOR SUCH A MEETING IF THERE WAS A CHANCE FOR CONCRETE RESULTS. (NOTE: FRENCH PREMIER CHIRAC HAD PUT IT IN ALMOST IDENTICAL TERMS DURING HIS VISIT HERE LAST WEEK.)

5. IN REPLY TO A QUESTION, SCHMIDT SAID THAT THE FRG HAD NOT OFFERED A LOAN TO DENMARK; THE QUESTION OF SUCH A LOAN AT THIS TIME IN "ONLY THEORETICAL". HE ADDED, HOWEVER, THAT IF THE NECESSITY AROSE THE FRG WOULD BE PREPARED TO HELP DENMARK.

6. COMMENT: NO SURPRISES HAVE YET COME TO LIGHT FROM THE SCHMIDT-HARTLING TALKS AND WE ARE INCLINED TO BELIEVE THAT THERE PROBABLY WERE NONE. THIS VISIT SHOULD BE SEEN IN THE LIGHT OF THE EVER-CLOSER RELATIONSHIPS WHICH MEMBERSHIP IN THE EC IS BRINGING AMONG ITS MEMBERS. THE FOCUS WAS ON THE URGENT ECONOMIC PROBLEMS OF THE DAY AND HARTLING AND HIS COLLEAGUES IN THE DANISH GOVT CAN BE PLEASED WITH THE SUPPORT OFFERED THEM PUBLICLY BY THE GERMAN CHANCELLOR, EVEN THOUGH THEY PROBABLY DO NOT EXPECT THE FRG TO EASE ITS INTERNAL RESTRICTIONS VERY MUCH TO HELP INCREASE DANISH IMPORTS.
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